

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
FEA-01 XMB-02 OPIC-03 AF-10 ARA-10 NEA-10 /146 W
-----077618 280306Z /70

P R 280225Z OCT 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 2320
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
USMISSION GENEVA

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USOECD
USEEC
USMTN

E.O. 11652: N/A
TAGS: ETRD, EEC, MTN, OECD, JA
SUBJECT: JAPANESE POSITION PAPER ON U.S.-JAPAN STEEL ISSUE

REF: STATE 256801

1. THE FOLLOWING POSITION PAPER ON THE U.S.-JAPAN STEEL
ISSUE WAS PASSED TO AMB. MANSFIELD BY MITI MINISTER TOSHIO
KOMOTO AT EARLY MORNING MEETING ON OCTOBER 28, 1977. GOJ
HAS REQUESTED PAPER NOT BE RELEASED TO PRESS BECAUSE OF
SENSITIVITY IN JAPAN AND U.S.

2. BEGIN TEXT:

THE POSITION OF MITI ON U.S.-JAPAN STEEL TRADE
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28 OCT. 1977
MINISTRY OF INTER-
NATIONAL TRADE AND
INDUSTRY

1. MITI, IN VIEW OF THE GREAT IMPORTANCE OF U.S.-JAPAN STEEL

TRADE, STRONGLY BELIEVES THAT ITS SOUND DEVELOPMENT IS ESSENTIAL TO FAVORABLE POLITICAL AND ECONOMIC RELATIONS BETWEEN THE UNITED STATES AND JAPAN.

MITI, FULLY RECOGNIZING THE VITAL ROLES THAT THE STEEL INDUSTRIES PLAY IN THEIR NATIONAL ECONOMIES, BELIEVES THAT THE STEEL INDUSTRIES OF THE WORLD SHOULD AIM AT CO-PROSPERITY, MAKING EFFORTS TO ACHIEVE THE MAXIMUM EFFICIENCY RESPECTIVELY.

NOW, THE STEEL INDUSTRIES OF THE DEVELOPED INDUSTRIAL NATIONS, ESPECIALLY IN THE U.S., THE EC COUNTRIES AND JAPAN HAVE ENCOUNTERED WIDE DISPARITY BETWEEN SUPPLY AND DEMAND THAT HAVE BROUGHT ON SERIOUS PROBLEMS BOTH IN THEIR DOMESTIC MARKETS AND IN THEIR INTERNATIONAL TRADE ACTIVITIES. FOR THE PURPOSE OF RESOLVING THESE PROBLEMS AND ESTABLISHING FREE AND FAIR INTERNATIONAL TRADE, IT IS NECESSARY TO STRENGTHEN CO-OPERATION BETWEEN GOVERNMENTS, IN ADDITION TO THE SELF-SUSTAINING EFFORTS OF INDUSTRIAL CIRCLES OF THE RELATED COUNTRIES.

MITI HIGHLY APPRECIATE THE POSITIVE EFFORTS THAT THE U.S. GOVERNMENT IS MAKING TOWARDS RESOLVING THE PROBLEMS WITH A DEEP UNDERSTANDING OF THEIR GRAVITY CONFRONTING THE STEEL INDUSTRY WORLDWIDE. WE ARE GREATLY CONCERNED OVER THE GENERAL STRATEGY AND THE TRADE POLICY WHICH ARE PRESENTLY UNDER REVIEW IN THE U.S. INTERAGENCY GROUP, HEADED BY THE UNDER SECRETARY OF TREASURY, MR. A. SOLOMON, ON THE INSTRUCTIONS OF THE PRESIDENT.

ON OUR PART, MITI HAS BEEN CONTINUOUSLY MAKING EFFORTS LIMITED OFFICIAL USE

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TO REACH A SATISFACTORY SOLUTION FOR THE STEEL TRADE PROBLEMS THAT EXIST BETWEEN THE U.S. AND JAPAN. HOWEVER, WE ARE AFRAID THAT THE RECENT DEVELOPMENT IN THE U.S. AND THE ACTIONS TAKEN BY THE U.S. GOVERNMENT ON STEEL IMPORTS FROM JAPAN MIGHT GIVE DAMAGE TO THE FAVORABLE TRADE RELATIONS BETWEEN THE U.S. AND JAPAN. THEREFORE, WE WISH NOW TO CLARIFY OUR POSITION ON THIS PROBLEM, WITH THE HOPE THAT A COMMON UNDERSTANDING CAN BE REACHED WITH THE U.S. GOVERNMENT, AND THAT IT COULD BE TAKEN INTO CONSIDERATION TO THE STUDY NOW UNDERTAKEN BY THE SOLOMON COMMITTEE AND OTHER GOVERNMENTAL CIRCLES.

2. WE UNDERSTAND THAT THE U.S. GOVERNMENT, IN TACKLING THE PRESENT PROBLEMS, INTENDS TO ESTABLISH "FAIR" TRADE THROUGH THE VIGOROUS AND STRICT ENFORCEMENT OF THE ANTI-DUMPING LAW. WE SHARE THE BELIEF WITH THE U.S. GOVERNMENT THAT THIS IS THE GENERAL PRINCIPLE TO BE FOLLOWED BOTH BY EXPORTERS AND IMPORTERS.

HOWEVER, WE CONTEND THAT THE ANTI-DUMPING MEASURES NOW BEING IMPLEMENTED IN THE U.S., CONTRARY TO INTENTIONS OF ESTABLISHING "FAIRNESS" IN TRADE, MAY RESULT IN AN "UNFAIR" SITUATION AS ILLUSTRATED BELOW.

FIRSTLY, IN THE CASE OF THE GILMORE STEEL CORP., ON THE 3RD OF OCTOBER, A TENTATIVE DECISION WAS MADE WHICH HELD THAT AN AVERAGE 32 PERCENT DUMPING MARGIN EXISTS IN THE EXPORTS OF CARBON STEEL PLATE FROM JAPAN. IF DUMPING DUTIES AT THAT RATE WERE IMPOSED, THE U.S. SALES PRICE OF IMPORTED JAPANESE CARBON STEEL PLATE WOULD FAR EXCEED THAT OF U.S. DOMESTIC PRODUCTS AND EXPORTS FROM JAPAN WOULD FALL DRASTICALLY. IN FACT, DUE TO THE TENTATIVE DECISION, BUSINESS TALKS ON THE CARBON STEEL PLATE EXPORTS TO THE U.S. HAVE VIRTUALLY STOPPED. SUCH DECISION IS EXTREMELY CONTRADICTORY TO THE GENERAL UNDERSTANDING, AS POINTED OUT BY THE COUNCIL ON WAGE AND PRICE STABILITY, THAT JAPANESE PRODUCTION COSTS ARE 15-20 PERCENT BELOW THOSE OF THE U.S. IF A SIMILAR DECISION WERE TO BE MADE IN THE LIMITED OFFICIAL USE

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CASE OF U.S. STEEL, THE MAJORITY OF JAPANESE STEEL PRODUCTS WOULD BE SQUEEZED OUT FROM THE U.S. MARKET.

IN OUR OPINION, SUCH AN EMBARRASSING AND DAMAGING SITUATION TO JAPAN SEEMS TO BE AT LEAST PARTLY DUE TO THE DISCREPANCY BETWEEN THE U.S. ANTI-DUMPING STATUTES AND

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
FEA-01 XMB-02 OPIC-03 AF-10 ARA-10 NEA-10 /146 W
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P R 280225Z OCT 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 2321
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
USMISSION GENEVA

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THEIR APPLICATION AND THE INTERNATIONALLY AGREED GATT ANTI-DUMPING CODE, AS WE POINTED OUT RECENTLY AT THE ANTI-DUMPING COMMITTEE OF THE GATT.

SECONDLY, IF ANTI-DUMPING MEASURES WERE SOLELY TAKEN AGAINST EXPORTS FROM JAPAN AND SUCH CURBS WERE NOT CALLED FOR IN THE CASE OF EXPORTS FROM OTHER COUNTRIES WHOSE STEEL PRICES ARE EQUAL TO OR LOWER THAN THOSE OF JAPAN, OR IF THERE WERE A TIME LAG BETWEEN THE MEASURES TAKEN AGAINST JAPAN AND THOSE TAKEN AGAINST OTHER COUNTRIES, THE OUT-COME WOULD BE OBVIOUS. EXPORTS FROM JAPAN WOULD INEVITABLY DROP TO DISASTROUSLY LOW LEVEL, THE THIRD COUNTRIES WOULD FISH PROFITABLY IN THE TROUBLED WATERS AND STILL NOTHING WOULD BE GAINED AS FAR AS REMEDYING THE SITUATION IN THE U.S. MARKET. IT IS OUR STRONG APPREHENSION THAT A DEVIATION FROM THE NON-DISCRIMINATORY PRINCIPLES OF THE MFN LIMITED OFFICIAL USE

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STATUS WOULD RESULT IN AN EXTREMELY UNFAIR TREATMENT AGAINST JAPAN.

THIS IS THE BASIC INHERENT PROBLEM OF ANTI-DUMPING PROCEDURES WHICH ARE USUALLY INITIATED BY AN INDIVIDUAL PETITION. IT CLEARLY SHOWS THE LIMITATION OF THE ANTI-DUMPING ENFORCEMENT IN ACHIEVING OVERALL POLICY OBJECTIVES.

IN SPITE OF THE INITIAL INTENTIONS OF THE U.S. GOVERNMENT, IN SEEKING THE SOLUTION OF THE CURRENT STEEL TRADE PROBLEMS, THE PURSUANCE OF THE IMPLEMENTATION OF THE ANTI-DUMPING MEASURES NOW IN PROCESS WILL NOT AFFORD A "FAIR" RESULT AND, ON THE CONTRARY, WILL BRING ABOUT SIGNIFICANT DAMAGE TO THE U.S.-JAPAN TRADE RELATION. FURTHERMORE, WE WONDER IF IT IS REALLY CONSISTENT WITH THE U.S. PUBLIC POLICY OF CONTROLLING INFLATION AND STRENGTHENING ITS INTERNATIONAL COMPETITIVE POWER.

3. (1) MITI IS OF THE VIEW THAT SOME FORMS OF "PRICewise APPROACH" ARE WORTH EXAMINING IN RESOLVING THE DUMPING ISSUES WHILE AVOIDING DIRE CONSEQUENCES INHERENT IN FOLLOWING THROUGH WITH ANTI-DUMPING PROCEDURES, AND IN RELIEVING THE U.S. STEEL INDUSTRY OF ITS IMMEDIATE DIFFICULTIES.

WE ARE FULLY PREPARED TO REVIEW ANY PROPOSALS IN THIS CONNECTION IN A POSITIVE MANNER, IF THE FOLLOWING CONDITIONS ARE MET:

- A) THAT JAPAN BE GIVEN EQUAL TREATMENT WITH OTHER MAJOR SUPPLIERS, AND
- B) THAT THE PRICE LEVEL BE FAIR AND REASONABLE,

COMPATIBLE WITH THE U.S. PUBLIC POLICY.

(2) ANOTHER POSSIBILITY WHICH MITI HAS NOT EXCLUDED FROM CONSIDERATION IS A "QUANTATIVE APPROACH" AS A IMMEDIATE AND TEMPORARY REMEDY IF A RESOLUTION OF THE ISSUE THROUGH THE "PRICEWISE APPROACH" PROVES DIFFICULT OR LIMITED OFFICIAL USE

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INSUFFICIENT.

MITI HIGHLY APPRECIATES THE RELUCTANCE EXPRESSED BY THE U.S. GOVERNMENT WITH RESPECT TO THE QUANTITATIVE RESTRICTION OF STEEL IMPORTS. HOWEVER, FROM THE TECHNICAL VIEWPOINT, A "QUANTITATIVE APPROACH" IS EASY TO ADMINISTER. THEREFORE, IF THE U.S. GOVERNMENT, IN VIEW OF THE IMPORTANCE AND THE URGENCY OF THE CURRENT SITUATION, REGARDS A "QUANTATIVE APPROACH" AS ONE OF THE FEASIBLE MEASURES, MITI IS PREPARED TO DISCUSS THE POSSIBILITY OF RESTRICTING OUR VOLUME OF STEEL EXPORTS TO THE U.S. AT A REASONABLE LEVEL.

4. THIS SUMS UP THE PRESENT POSITION OF MITI, CONCERNING THE PROBLEMS THAT EXIST IN THE U.S.-JAPAN STEEL TRADE. WE WOULD EMPHASIZE THAT IT IS OUR EARNEST HOPE THAT THE ISSUES NOW UNDER DISCUSSIONS BE RESOLVED ON A MUTUALLY SATISFACTORY BASIS AT THE EARLIEST DATE. WE ARE READY TO STUDY AND DISCUSS ANY PROPOSAL, IRRESPECTIVE OF METHOD, WHICH OFFER REASONABLE AND PRACTICAL SOLUTIONS TO THE CURRENT PROBLEMS. UNDOUBTEDLY, IF THESE PROBLEMS ARE LEFT UNRESOLVED, THEY WILL BRING ABOUT DISASTROUS OUTCOMES. WE HOPE THAT THE SPIRIT OF FRIENDSHIP AND MUTUAL COOPERATION WILL UNDERLIE THE EFFORTS OF OUR COUNTRIES TO WORK OUT THIS PROBLEM.
END TEXT.
MANSFIELD

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Message Attributes

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Current Classification: UNCLASSIFIED
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Sent Date: 28-Oct-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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